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COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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July 30, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector 

SUBJECT: **INTERNET AUCTION OF TAX DEFAULTED PROPERTIES**

Background

Pursuant to California Revenue and Taxation Code, the Treasurer and Tax Collector (TTC) is mandated to offer tax defaulted property for sale within four years after the property becomes subject to the power of sale for nonpayment of taxes, and if unsold, to offer the property at intervals of no more than six years thereafter.

Prior to budget curtailments the Department sustained in Fiscal Years 2008/2009 to 2009/2010, the TTC had historically offered tax defaulted properties for auction in the following sequence:

- "A" Auction – properties are first offered at an in-person public auction, which ideally is held in February.
- "B" Auction – if properties did not sell at the "A" Auction, or were excluded from that auction, they would then be offered at an in-person auction, typically held in the summer.
- "C" Auction – finally, properties that are rendered unusable by their sizes, location, or other conditions are offered in a Sealed Bid Auction. In a Sealed Bid Auction, the TTC offers the property to owners of contiguous parcels or to a holder of record of either a predominant easement or a right-of-way-easement.

In 2010, due to budget curtailments that reduced auction staffing, the TTC cancelled the "B" and "C" Auctions and began to hold only one in-person auction per year (an "A" Auction in the fall). However, that practice of conducting only one auction per year jeopardized the TTC's ability to comply with the statutory requirements outlined above.

In an effort to ensure that statutory requirements are met and to maximize the number of parcels returning to a tax-paying status: in May 2014, the TTC implemented an online "B" Auction for vacant (unimproved) land that had been previously offered at an in-person "A" Auction, but did not sell.

Online Auction Results

From May 28, 2014 through May 30, 2014, the TTC conducted the County's first Internet auction. The vendor, Bid4Assets, managed the bidder registration, helped expand the bidder pool, and conducted the auction. We flagged 675 parcels for inclusion in the auction, with a minimum bid of \$1,125 (the amount necessary to cover the TTC's costs and vendor fee assessed to the winning bidder).

I am very pleased to report that the auction was a success for the following reasons:

➤ **The TTC negotiated a no-cost contract with Bid4Assets for online auctions.**

All fees from Bid4Assets were assessed to the winning bidder. Additionally, by conducting the auction via the Internet, the TTC realized a direct cost savings of approximately \$23,000 by not having to rent a physical location for an in-person auction and a savings of 460 hours of staff time.

➤ **Approximately 57 percent of the parcels were sold, the highest sale rate of our previous seven consecutive auctions.**

Although this auction was the first to offer only vacant land from previous auctions (typically the most difficult property to sell), the sale rate was 10 points higher than the average sale rate of the last seven auctions. Of the 675 parcels that were initially flagged prior to auction, 110 parcels were withdrawn for various reasons, such as redemption, bankruptcies, and noticing issues. The remaining 565 parcels were offered, and of those, 321 parcels were sold.

➤ **The online platform significantly increased the level of auction exposure to potential vendors.**

Bid4Assets sent over 100,000 email notifications to individuals who had participated in their past auctions. This resulted in 3,049 unique visits to the County's online auction storefront and the attraction of 169 total bidders, of which 140 had never participated in a previous Los Angeles County auction.

➤ **Seventy one percent of parcels sold for more than the minimum bid. Fourteen parcels sold for more than the total outstanding taxes and fees due.**

CONCLUSION

The implementation of the Internet auction fulfilled both a major component of our 2012 Auction redesign and met the County's Strategic Plan Goals of Operational Effectiveness and Fiscal Sustainability. Specifically, we: 1) conducted the County's first Internet auction, which will be incorporated into our general auction process, 2) expanded the number of potential bidders, 3) returned a significant number of parcels to a tax-paying status, and 4) reduced the build-up of parcels eligible for sale, many of which had been tax defaulted for nearly a decade.

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Finally, by incorporating a vendor-managed Internet auction, the sale preparation and its operations were streamlined to such a degree that the Department was afforded full staffing for its regular business functions during the auction registration and operating hours.

Should you have any questions, you may contact Kathy Gloster, Assistant Treasurer and Tax Collector, of my staff at (213) 974-2077 or kgloster@ttc.lacounty.gov.

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2014B MM Brd of Supv 7/29/14